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**PHILIP MORRIS INTERNATIONAL INC. SCRIPT FOR RECORDS COORDINATOR TRAINING SESSION -- September 19, 1990**

**[Slide 1 on screen as attendees arrive.]**

We are passing around an attendance sheet. Please print your name and the particular department, as well as the area of that department, in which you work.

We would like to hand out now the Records Management Manuals and Instructional Booklets which you have requested. As we deliver the copies to you, please indicate the names of the actual or ultimate recipients of these manuals since we are maintaining a record of all people to whom the manual is distributed for future reference in the event the manual is updated.

I am Bradley Brooks, Senior Assistant General Counsel of Philip Morris International. With me today is Arthur DeBaugh of our outside law firm Hunton & Williams. After today's presentation, you will have an opportunity to raise any questions that you may have.

For the past several months, the Philip Morris International Legal Department, assisted by the law firm of Hunton & Williams, has devoted considerable attention to Philip Morris International's records management program.

In February 1984, our former Chairman, George Weissman, issued a Policy Guide on the subject of records management. **[Show Slide 2]** This Policy Guide can be found on page 2-2 of your Records Management Manual. You will note that the Policy

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Guide supersedes an earlier policy of July 1981. As you can see, proper records management has been a concern of Philip Morris for some time now. The Weissman Policy Guide remains in effect today and applies to Philip Morris International, as well as to other group companies.

The purposes and objectives of Philip Morris' records management policy are summed up in this Policy Guide:

**[Show Slide 3]**

> Philip Morris recognizes that recorded information is a company resource which must be safeguarded; retained to satisfy government, regulatory agencies, and management requirements; retrieved efficiently for effective utilization; and discarded when it no longer has any value. Philip Morris is dedicated to conform to records management policies and practices necessary to meet these standards.

In accordance with this Policy Guide, the New York Office has had a records management program, applicable to all employees in the New York Office regardless of operating company, for a number of years. Phyllis Cowart, whom many of you may know, was the Coordinator of Records Management for several years. Phyllis has recently left the Company to pursue other interests. However, the Company's Records Analyst, Cecilia McLaughlin, is here with us today, along with Bob Jones, Manager of Distribution Services, to whom the Records Management Department reports. Would Cecilia and Bob please stand up. You will be dealing a great deal with Cecilia in her position in the Corporate Records Management Department. **[Go to blank slide.]**



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As part of Philip Morris' continuing efforts to assure proper records management, each operating company has been reviewing and, where appropriate, revising its individual records management program. Thus, Geoffrey Bible, formerly President of Philip Morris International, sent a memorandum to all department heads and regional presidents on January 10th of this year, asking that formal records management policies and procedures be adopted by August 1, 1990. Toward that end, the Records Management Manual and the Records Management Instructional Booklet you received were issued on August 1st by the President of Philip Morris International, Aleardo Buzzi.

In February of this year, Mr. Buzzi convened a meeting to begin the process of reviewing and updating the records management program for the New York office and all Philip Morris International operations in the United States. At that time questionnaires were distributed in order to collect information that would enable us to create revised retention schedules for all departments.

Those revised retention schedules have now been developed and the proposed retention schedules are ready for distribution today. We now begin the next phase of this project, in which all departments are given the opportunity to make final additions or changes to their retention schedules, and in which implementation of the retention schedules takes place. The purpose of today's meeting is to describe what will be required of you as Records Coordinators for your departments and what we are asking each



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department to do in this implementation phase. We will also train you regarding the procedures of the records management program and walk you through the Records Management Manual and the related Instructional Booklet.

The primary goal of this program is to assure that uniform and consistent records management procedures and records retention periods are established and followed within all departments that make up Philip Morris International here in the United States. If this goal is accomplished, Philip Morris International will operate more efficiently and effectively. Although uniformity and consistency is our goal, we also recognize that each department has its own business needs. Accordingly, we spent a great deal of time reviewing your questionnaire responses to determine what those business needs are, so that the retention schedules we developed would be useful tools for each department, setting realistic retention periods.

Let's review briefly the many benefits we hope to realize from this revised records management program. **[Show Slide 4]** First, the records management program should improve the overall productivity and efficiency of a department and reduce the cost of operation. These benefits are realized primarily by reducing retrieval times, optimizing use of space, reducing storage costs, and eliminating many microfilm costs.

As an example, one rule of thumb to keep in mind is the "Rule of Threes." Basically, this theory stands for the proposition that at least one-third of the records that you are



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currently maintaining no longer serve any business need and can be discarded. These records have become obsolete or superseded. Their usefulness is outlived. Disposal of these records significantly reduces storage costs, optimizes use of space, and reduces time spent on locating and retrieving useful records.

Similarly, a second one-third of the records maintained in your department could be transferred to storage, where it costs the Company far less to maintain them. The cost of maintaining records on-site is roughly four times as great as the cost of maintaining them in storage.

Finally, the remaining one-third of the documents you currently maintain in your department are actually needed for reference, and so should properly remain in your offices, file cabinets, etc.

Another surprising statistic from the world of records management is that only 2-5% of records will ever be referred to again after their initial creation and use. This figure includes records on-site as well as records in storage. Here again, this statistic points to a strong probability that some real savings can be realized.

**[Show Slide 5]** Our records management goals are to dispose of approximately one-third of our paper in 1990, and 17% more in 1991, bringing the total volume of records disposed of to 50% of the original 1989 amount. We believe these figures accurately reflect the volume of records that have outlived their usefulness



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and are not required to be kept for any legal, regulatory, or business reason.

Lastly, but as important as any of the other reasons I have cited, a well-run records management program ensures compliance with all laws, regulations, and the like that may apply to your records.

Now that you know a little of the history of records management at Philip Morris and the purposes and benefits of this revised records management program, let's define some terms. First of all, what exactly is "records management?" **[Show Slide 6] [Arthur DeBaugh begins speaking.]** Records management is defined as, "The systematic control of all records required in the operation of a business, assuring that needless records will not be created or kept and valuable records will be retained and accessible when needed."

**[Show Slide 7]** Records management follows a record throughout its life cycle, from creation, through distribution, use, and storage, until it is ultimately disposed of. **[Short pause.] [Show Slide 8]** Simply put, records management equals the proper creation and retention of records.

**[Show Slide 9]** Here we can see well-organized files that are properly labeled and maintained. In contrast, **[Show Slide 10]** here we see poorly organized files which are difficult to manage and retrieve. Let's hope this slide doesn't depict an office in your department!



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Next, we should define "records." **[Show Slide 11]** A record is "any generated or received paper, book, photograph, microform [which includes microfiche and microfilm], map, drawing, chart, card, magnetic media, or any copy or print-out thereof." Let's look at some examples.

**[Show Slide 12]** Here we see the most common and familiar example of records: a file folder containing papers. **[Show Slide 13]** Information generated by or stored on a personal computer is no less a record than is a piece of paper. We must remember to include records stored on our computers as part of the records management program.

**[Show Slide 14]** Machine-readable records stored on floppy disks, hard drives, or computer tapes are just as much Company records as are paper files, and thus must be covered by the records management program. **[Show Slide 15]** Similarly, records stored on microfilm, microfiche, or comfiche, are included in the records management program and must be covered by your retention schedules.

**[Show Slide 16]** Here we have a typical office area. Company records do not exist solely in file cabinets or storage warehouses. Any records that relate to company business that appear in or on your desk, credenza, office shelf space, bookcases, etc., are still records subject to the records management program. Philip Morris records may even be located in your home. Taking a record home does not make it any less a Philip Morris International record. If you take records home, be



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sure to return them for inventorying purposes. These records must be covered by the program.

**[Show Slide 17]** Records such as calendars and daytimers must be included in the records management program and disposed of according to the applicable retention schedule if these items contain information relevant to an individual's work for Philip Morris. Even if anniversaries, birthdays, and personal items appear in the calendar, if information relating to Company business is contained in the calendar, it must be covered by the records management program.

Naturally, many items, which we will call "non-records," are not included in the records management program. **[Show Slide 18]** "Publications, blank forms, vendor brochures and other such information, not meeting the requirement for 'records,' are considered non-record material." Let's see some examples.

**[Show Slide 19]** Here we have publications, or magazines, not put out by Philip Morris, that are not considered records for purposes of this program. **[Show Slide 20]** Similarly, vendor brochures and catalogs are not considered Company records. **[Show Slide 21]** Blank forms are obviously not records until some information is placed on them. **[Show Slide 22]** Telephone message notes are not considered records, unless for some reason they are kept beyond their immediate reference value.

**[Show Slide 23]** Newsletters such as the FYI will not be treated as records under the records management program unless your department is responsible for creating the newsletter or



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unless the newsletter is kept beyond its immediate reference value and is incorporated into some other file or project. The FYI is similar to a routing slip which is used to circulate articles or information an individual might feel is of interest to others. Just because such an item may cross your desk does not make it a record as far as your files are concerned. Only if you use such an item in connection with your work for Philip Morris International does it become a record that should be retained according to your records retention schedule.

**[Show Slide 24]** Finally, files that contain truly personal information, that do not relate to Company business, are non-records for purposes of the records management program. Remember, however, that so-called "personal" records may actually be Company records subject to the records management program. **[Show Slide 25]** Again, your daytimer or calendar, containing meeting dates or other information related to your activities with Philip Morris International, must be maintained in accordance with your records retention schedule. Your calendar is a "non-record" only if it contains only personal information.

Similarly, drafts of reports are not "personal" to the individual who created them, but are Company records. So too with working copies of records. Merely because an individual makes an extra copy of a Company record for his or her convenience while working on a project or for later reference does not mean the copy is "personal" or not a Company record.



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These records are covered by the records management program and must be dealt with as the applicable retention schedule dictates.

If an individual makes a working copy of a record, or a "work file," he or she does not need to retain it for the full retention period indicated on the records retention schedule, however, as long as no margin notes are made or the document is not altered in any way. You can feel free to dispose of working copies of records whenever you desire, provided the original is maintained for the full retention period and no changes or notes have been made on the working copy. Notes made on the working copy turn that document into a new record that must be maintained for the full retention period.

Let's now talk about record categories. **[Show Slide 26]** This concept has particular significance in connection with the work that you will be doing in implementing this program, since you will be focusing on classifying the records in your department in accordance with your department's retention schedule. A "record category" is defined as: "Any group of related records which are normally used and filed as a unit and which permit evaluation as a unit for retention scheduling purposes." In other words, a record category contains similar records, all of which can be retained for the same period of time and then discarded.

Here are some examples of the right and wrong ways to categorize records. **[Show Slide 27]** At the top of this slide we see examples of an incorrect way to categorize records. These



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items are really file folder titles rather than true record categories. The titles are too narrow to constitute true record categories. The six examples of incorrect record categories at the top of the slide can be condensed into three correct record categories as shown on the bottom of the slide.

**[Show Slide 28]** Here's another example of a potentially incorrect way to categorize records for a retention schedule. At the top of the slide, "Departmental Files" organized alphabetically from A to Z is listed as a proposed record category. This method is fine for filing records, and it may even be fine as a records category. If your retention schedule lists "Departmental Files" as a category, however, beware that all records within those departmental files must be disposed of when the retention period expires. You cannot sift through the files and maintain certain items for a longer period of time. "Departmental Files" may thus be too broad a category. Rather, as shown on the bottom of this slide, you may want to categorize your departmental files in accordance with the types of information contained therein and set different retention periods for each category.

All retention schedules are organized into generic records categories. **[Show Slide 29]** A retention schedule is defined as: "A listing for each department of all records it maintains. The schedule documents actions to be taken relating to the retention and disposition of records, including the periodic transfer to



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records storage, protection methods necessary, and final disposition or retention."

**[Show Slide 30]** Here we have an example of a typical records retention schedule. This example can be found on page 4-2 of your Records Management Manual. At letter **A** appears the name of the department or area to which the retention schedule applies. **B** shows the date of issue of the retention schedule. You will note that this date is not filled in on your proposed retention schedules. After your department has had an opportunity to comment on the proposed schedule, the retention schedule will be finalized and an issue date will be inserted.

Column **C** indicates the retention category code for each record category on the retention schedule. Column **D** lists the record categories. Column **E** indicates the length of time each record category is to be retained in the department, or on-site. Column **F** dictates the length of time each record category is to spend in a storage area. Please note that the Quick Retrieval Storage Area, or QRSA, no longer exists. Time spent in storage thus means time spent in the Carlstadt, New Jersey records storage center. Column **G** lists the total length of time for retention of each record category.

Column **H** contains the "Official File Location" for each category of records. You will notice on your department's records retention schedule that no information currently appears in this column. During the implementation process, this information will be supplied by you as you evaluate your files.



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The "Official File Location" designates that department or area that maintains the official copy of records in a category. For example, the category "Personnel Files" appears on many of your retention schedules. Only the Personnel or Human Resources Department will keep the "official" copy of personnel files. The category of "Personnel Files" should thus have a shorter retention period on a Finance Department retention schedule than it does on the Personnel Department retention schedule. When a particular employee leaves the Finance Department, that department has no business need to keep his or her personnel file, and thus those records should be disposed of or transferred to the Personnel Department. The Personnel Department will keep these records for a substantially longer period of time.

The "Official File Location" column will aid you in locating records that are older than those you keep in your department. Your retention schedule may dictate that you dispose of "Budget Files" after the current year plus one or two additional years. By looking at the "Official File Location" column, however, you can determine which department will keep budget files going back for a longer period of time.

At letter **I** will appear the physical location of the department or area to which the retention schedule applies, whether it be 120 Park Avenue, Rye Brook, Richmond, Miami, or elsewhere. At letter **J** will appear your department's cost center number or some other identifying number. The box at **K** notes the pagination of the retention schedule.



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At letter **L** we see the key to retention period abbreviations. "ACT" denotes that records in a particular category are held as long as they are active. "M" means that records are held until the end of the current month, and then usually some additional number of months.

Please especially note the following: "C" means that records in that category are held until the end of the current year, and then possibly some additional number of years. Note that "C" does not mean that the records in that category are held as long as they are "current." If "C" appears as a retention period on your retention schedule, it means that the records in that category are held until December 31st of the year in which they were created. If a record is created today and its retention period is "C+1" it should be retained through December 31, 1991, and should then be disposed of.

A record category with a retention period of "P" means that all records in that category should be retained permanently. "Permanently" does not mean as long as you are at the Company. It means until the end of time. Records in such categories should still be around 200 years and more from now. As you can imagine, the permanent retention period should be used sparingly, in only the most exceptional of circumstances.

"SUP" means records should be held until they are superseded. Usually records such as manuals or policies and procedures are given a retention period of "SUP" because these records are truly superseded by other records.



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Finally, "TER" means hold the records in that category until terminated. This retention period is usually given to personnel records, which should be held only as long as the individual to which they refer is employed in your department. "TER" may also apply to records that relate to machinery or equipment. Such records are only retained until the machinery is no longer used.

Please note that numbers following retention period abbreviations equal years except when the number follows the "M" abbreviation, in which case the number expresses a number of months.

Finally, at letter **M** we see the signature lines authorizing the use of the retention schedule. Signatures have not been obtained on the proposed retention schedules distributed to you today as each department is being given the opportunity to comment on its retention schedule before it is finalized.

**[Bradley Brooks begins speaking here.] [Go to blank slide.]** Now that you have received your departments' retention schedules, what do you do with them? Your task will be to identify, code, label, and inventory the files in your department in accordance with those categories found on your retention schedule. As Records Coordinators, you play a particularly important role in records management at Philip Morris International.

The first step in implementation is to ascertain whether your departments' record retention schedules are adequate. With each retention schedule, you will receive Comment Forms. Please



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use these forms to indicate any changes that your department deems necessary to the retention schedule.

For instance, in preparing these retention schedules, we have attempted to eliminate duplicate categories and narrow the various categories of files within each department. You and the people in your department will be in a much better position than we were, however, to limit categories even further. Accordingly, you should take the opportunity wherever you deem it appropriate to consolidate record categories even further than what you will see on the proposed retention schedules. If further elimination can be accomplished, please so indicate where appropriate on the Comment Forms.

Similarly, we attempted to take into consideration both individual departmental business needs for the retention of certain categories of records as well as any legal requirements we thought might require the retention of a record category for a certain minimum period of time. Where we did not believe any legal requirements mandated the retention of records, and where we could perceive no business need for a lengthy retention period, we typically set a retention period of no more than the current year plus one or two additional years.

Where possible, cut down even further on the retention periods on the proposed retention schedules. We all have a natural tendency to keep paper far too long. Where no true business need exists for the retention of records beyond a



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certain period, suggest a shortened retention period on your Comment Forms.

It is conceivable that we could have failed to take into consideration some legal or other requirement or a valid business need for holding onto records for a certain period of time. Where appropriate, suggest on the Comment Forms longer retention periods for categories of records. We want to hear from you if you feel it is important that you retain records for longer than the periods we have suggested on the proposed record retention schedules. Please provide a fairly detailed explanation for suggesting a longer retention period. We are trying to get away from the notion that records should be retained "just in case I need them someday."

Also, try to cut down on the period of time records spend in storage. The Carlstadt records center is currently at about 99% capacity. Many of the records there should have been disposed of years ago.

Remember also that the theme of records management is to provide as much uniformity and consistency as possible. Begin a dialogue with other departments and Records Coordinators, especially those in departments closely linked to yours, to determine whether the categories and retention periods on your retention schedules are uniform and consistent. Exchange records retention schedules. Also, do not assume that Department X will be keeping certain records for a longer period of time than will your department. Check to be sure!



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Please fill in for us the location of the department to which each retention schedule applies and the department's cost center number. Finally, try to determine the official file location for as many categories of records as possible. Budgets are undoubtedly kept by some department in Finance for a number years. Personnel files are maintained primarily by the Personnel Department. If a certain category of records is retained by your department officially, please note this on the Comment Forms or on the retention schedules itself. Feel free to mark up the retention schedules as well.

You will have until Monday, October 1st, 1990 to review the proposed retention schedules and provide us with any changes your department desires. Make copies of the retention schedule and distribute it throughout your department so that everyone has an opportunity to suggest changes or additions. The retention schedules have to be documents that will adequately reflect your department's record categories and set realistic retention periods with which everyone will comply. Send your Comment Forms and your edited retention schedules to Arthur DeBaugh at Hunton & Williams at the address shown on the cover sheet to the Comment Forms. This can be done by telefax or mail. Please adhere to the October 1st reply date.

In addition, I would encourage you to telephone Arthur at his office to discuss any comments or questions which you may have -- before you send in the Comment Form. We would hope to be



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able to resolve any comments you may have by telephone rather than engaging in correspondence back and forth.

You may not in fact have any comments at all to your retention schedule. If not, so indicate on the Comment Form cover sheet and simply have the original retention schedule signed by your department head, return the original to Arthur, and retain a copy, which should be placed in your Records Management Manual as Appendix A. We will obtain the additional two signatures on your retention schedule, namely the signatures on behalf of Legal Counsel and the Coordinator of Records Management, and return to you a copy of the fully authorized records retention schedule, which you should then place in your manual as Appendix A. In the meantime, before all signatures are obtained, you can assume that the records retention schedule which your department head has approved and signed is in effect.

You, as the Records Coordinator for your department, will be the official guardian of the records retention schedule, or schedules as the case may be, for your department or area and must ensure that at all times Appendix A of your Records Management Manual contains the fully approved, up-to-date retention schedule.

We will promptly review the Comment Forms to assure that all proposed changes are reasonable. If any questions arise, we will contact you for more information. If an additional category is requested and approved, we will provide you with the record category code. DO NOT assign your own record category codes.



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Once we are in agreement as to the retention schedules, a finalized version will be sent for authorizing signatures.

As the retention schedules are being finalized, you should be training the employees in your department on the records management program and you should be beginning the labeling and inventorying process. The Records Management Instructional Booklet is your basic guidebook through the process of implementation of your record retention schedules. It may be copied and distributed freely throughout your department. It was designed to help you train your department's employees on what is required of them in order to implement the revised retention schedules.

I mentioned training sessions. After this session today has concluded and you have gone back to your own departments, you will know what to do in the area of records management. How do you ensure that the rest of your department is familiar with the records policy and its procedures? In several ways.

First, on a one-to-one basis, or in larger, group sessions in your department. Second, you may use the video of this training session which is being produced today. Finally, you may distribute copies of the script of today's presentation which will be made available to you.

Whom do you train? Does everyone in your department from the vice president on down need training? The answer is that everyone in your department or area from the vice president on down needs to know the purpose and importance of the department's



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retention schedule and that retention periods will be strictly adhered to. In addition, more detailed training by you will be necessary for those individuals who will be assisting you in inventorying and labeling files and carrying out the transfer and disposal of records.

On page 1 of the Instructional Booklet appears a Message from Aleardo Buzzi, President of Philip Morris International. We encourage you to bring this important message to the attention of every employee in your department, to emphasize that support for this project comes from the top. As Mr. Buzzi indicates, every employee "should take time to familiarize [themselves] with the philosophies and procedures of this important program so that [they] will be able to carry out [their] responsibilities for Philip Morris International Inc."

Section 2 of the Instructional Booklet, on page 2, indicates the general policy of the records management program. As you train employees in your department, be sure to bring to their attention the last paragraph on this page: **[Show Slide 31]**

> All employees, as a term of employment and as part of their performance appraisals, are responsible for ensuring that records maintained by them are properly identified, retained, transferred, and disposed of in accordance with the Records Management Program. Every category of business records created by or received by an employee is to be classified and coded in accordance with one of the record category codes listed on the retention schedule applicable to his or her records. Employee noncompliance is a performance issue and can result in disciplinary action.

**[Arthur DeBaugh begins speaking here.] [Go to blank slide.]**

At Section 3, page 3 of the Instructional Booklet the heart of the implementation of the records retention schedules begins.



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Simply put, in order to implement the revised retention schedules, "All records will be organized according to approved record categories found in departmental retention schedules. Additionally, all file folders, microfilm rolls, microfiche sets, racks, drawers, filing cabinets, etc., must be labelled with the correct record category codes to facilitate easy location of records."

Each file folder, microfilm roll, microfiche set, or file cabinet must be listed on an inventory form, as found on page 7 of the Instructional Booklet. **[Show Slide 32]** This inventory will facilitate the location of responsive records when a transfer or disposal notice is sent indicating that all records in a certain category are scheduled for transfer or disposal.

On pages 4 and 5 of the Instructional Booklet appears a list of the items that are excluded from the labelling and inventory. These items are "non-records" for purposes of the records management program.

On page 5, instructions as to labeling of records are included. Every file folder, microfilm roll, etc., must be labeled with a record category code to indicate which record category applies to the items in that file folder. The purpose of this process is to facilitate the quick and efficient identification and retrieval of records for transfer and disposal purposes. Labelling also enables easy auditing of compliance with the program and the retention schedules. No particular label or labeling method is required. Record category codes may



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be penned in on file folders or microfilm labels. On microform, documents created through word processing, and other machine-readable records, the record category code should be made a field or identifier to the record if possible.

It is easiest to fill out the Records Inventory Forms as file folders and the like are being labeled. Only one form should be used for each office or filing location. Similarly, it is easiest to include only one record category on each form. For instance, if one particular office contains one hundred files comprising ten records categories, then ten forms will be needed, one for each different record category. If two offices each contain files in three categories, then a total of six forms will be required.

The Records Inventory Form on page 7 is fairly straightforward. The left column indicates the actual file titles contained in the record category to which the form applies. The center column asks for the media on which each file is contained, such as on diskette, on paper, etc., and the volume of the file, or how much space it takes up. The volume figure is expressed in linear inches for paper records and number of diskettes, microfilm rolls, or sets of microfiche. Finally, the right column asks for the date range of the records in the particular file. The date range is the creation date for records in that file.

It is important that these Records Inventory Forms be filled out accurately. As Records Coordinators, you will periodically



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receive notices from the Records Management Department that certain categories of records created in certain years are scheduled for transfer or disposal according to your department's records retention schedule. You and the individual employees in your department who filled out the Records Inventory Forms will then be responsible for consulting those Inventory Forms to determine what specific files, microfilm rolls, and the like were created in the specified year and are thus scheduled for transfer or disposal. **[Go to blank slide.]**

Page 5 of the Instructional Booklet also contains instructions on what to do with interfiled record categories. If two or more record categories are filed together, they should be re-filed separately. If this practice is impractical, either because of the volume of the records involved and man hours required to perform the task or because the records cannot be efficiently separated due to the media on which they appear (such as microfilm or microfiche), select the record category in the file with the longest retention period and apply this retention period to all records in that file or microfilm roll.

In the future, records should be filed according to retention schedule record categories so that interfiling does NOT occur. Records should be batched according to their record category or retention period before they are microfilmed or microfiched. All records on a single microfilm roll or microfiche should be scheduled for disposal on the same date.



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As employees in your department begin labeling and inventorying their files, they will come across records that have exceeded their in-department retention period and are scheduled to be sent to storage as well as records that have exceeded their total retention period and should be discarded. Apply the retention schedules accordingly. Be advised, however, that from this date forward, the Carlstadt records center will not be accepting any cartons that are not properly coded according to the applicable retention category codes.

While we are on the subject of the Carlstadt records center, I should mention that individuals in your department will have to recall all cartons they have sent to storage so that these records too may be recoded and relabeled and then sent back to storage. New Records Log Cards will have to be filled out that more completely describe the contents of each carton and list the record category codes of files located in each carton.

Section 4 of the Instructional Booklet describes those procedures that need to be taken for machine readable records, such as records stored on floppy disks or microfilm. Electronic mail is the first type of machine readable record addressed. E-Mail or Profs messages should be deleted daily. This information is generally only important for its immediate reference value and has no long term need to be retained. If an electronic mail message contains information that is important beyond its immediate reference value and is in fact kept for a period of time, generally exceeding one month, then the message must be



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categorized according to the applicable records retention schedule and retained according to the applicable retention period.

Information on a personal computer must comply with the applicable records retention schedule. Signatory text and word processing documents should be produced in paper form for the official file copy. Once this is done, the version that appears on floppy disk or hard drive can be deleted. At no time should a document on computer be kept longer than the applicable retention schedule dictates. When a record is created on computer, the applicable record category code, and the disposal date also if possible, should be coded onto the system index to facilitate compliance with the records retention schedule.

Finally, telecopy records should be copied onto regular bond paper for the official file copy. These records must be disposed of when the applicable records retention period expires.

Section 5 of the Instructional Booklet lists those records that are under disposal suspension. Please pay special attention to these records as you train employees in your department. We will go over disposal suspension procedures more fully when we go through the Records Management Manual in a few minutes.

**[Bradley Brooks begins speaking here.]**

On Friday, November 30, 1990, sixty days from October 1st, the date upon which Comment Forms are due back, you will be responsible for submitting a Sixty Day Implementation Report. This report will describe the progress your department has made



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towards implementation of the records management program. A form for the report will be distributed at the end of this meeting.

Before anyone in your department begins labeling, inventorying, transferring, or disposing of files, calculate the volume of records that exists in your department. Use linear inches for paper records and numbers of microfilm rolls, microfiche sets, and floppy diskettes. These figures will provide the basis for statistics we hope to obtain concerning the percentage of records transferred and discarded. The Sixty Day Report asks for basically four pieces of information: (1) the volume of records that have been labeled and inventoried thus far; (2) the volume of records that have been disposed of; (3) the volume of records sent to storage; and (4) what your department has done to date, what still needs to be done, and when you expect to be done.

Finally, and perhaps most importantly, your job as Records Coordinators is to provide a link between the Records Management Department and your department. Keep the Records Management Department informed of any personnel or organizational structure changes in your department. If employees leave your department, their cartons in storage may need to be reviewed and the contents reassigned to someone. If <u>you</u> leave a particular department or the Company, Records Management especially needs to know that so that a new Records Coordinator can be promptly assigned. It is the responsibility of your department head to ensure that there is always a Records Coordinator in place.



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If your department undergoes any structure changes, even if it is only a name change, the applicable retention schedule will need to be modified. New retention schedules may need to be developed depending on the extent and nature of the structure change. The best way, and virtually the only effective way, for Records Management to know of these changes is for you to keep them informed. Let Cecilia know of any of these changes. This is an integral part of your responsibilities.

Let's now take a look at the Records Management Manual and go through it step by step. Please follow with me in your own copies of the Records Management Manual. In Chapter 1 we see again the President's Message we found earlier in the Instructional Booklet. Chapter 2 describes the policy and scope of the records management program. Please note that this manual "applies to all operations of the Philip Morris International cigarette business, howsoever organized, located in the United States of America." On page 2-2 of the manual appears the Weissman Policy Guide mentioned earlier in today's presentation. The President's memorandum and the General Counsel's memorandum of January 10, 1990, also mentioned previously, appear on pages 2-3 to 2-5. Please note on page 2-4, the General Counsel for Philip Morris International states that "[t]he norm should be to retain records for the current calendar year plus one or two prior years." We have adhered to this formula as we have developed your suggested retention schedules.



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Chapter 3 of the manual lists the responsibilities of various departments and individuals within Philip Morris International as to records management. On page 3-1, please note that the Philip Morris Corporate Audit Department will be conducting periodic reviews of individual departmental compliance with the records management program and will make recommendations based on their audit findings to departmental heads.

The Philip Morris International Legal Department reviews retention policy and retention schedules for compliance with legal requirements. In addition, the Philip Morris International Legal Department, as well as the Philip Morris Corporate Tax Department, issue disposal suspension notices as appropriate due to litigation or investigation. We will discuss disposal suspension procedures when we come to Chapter 7.

The various duties of the Records Management Department are outlined on page 3-2 of your manual. Let me direct your attention especially to the first two responsibilities on the list. The Records Management Department, specifically the Coordinator of Records Management, approves the creation, change, or deletion of record categories and retention periods on departmental retention schedules. The Coordinator of Records Management performs this function in consultation with the Philip Morris International Legal Department and the Philip Morris Corporate Tax Department as appropriate. Any changes that are proposed to a retention schedule must first be approved by the Coordinator of Records Management.



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Secondly, the Records Management Department will distribute transfer and disposal notices according to departmental retention schedules to alert you, the Records Coordinators, when records in certain categories are scheduled for either transfer or disposal. We'll talk more about the transfer and disposal processes when we get to Chapters 6 and 7.

Let's move on to the responsibilities of department heads. These individuals must ensure compliance with the records management program in their departments. This general mandate is specifically carried out by approving retention schedules and any proposed modifications to retention schedules; by appointing Records Coordinators for the department; and by including records management as a criterion on performance appraisals of all employees who deal with records in the department.

As for Records Coordinators, your duties appear on page 3-3. Most importantly, you are to function as a link between your departments and the Records Management Department.

Finally, the responsibilities of all employees in the area of records management is set out in the final paragraph on page 3-3. We have already seen this paragraph in the Instructional Booklet.

**[Arthur DeBaugh begins speaking here.]**

Let's move on to Chapter 4 of the manual, which discusses the records retention schedule. Pages 4-1 and 4-2 describe the typical retention schedule, which we have already described for



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you. The procedures for maintenance and modification of retention schedules begin on page 4-3.

Again, please note that records categories and retention periods cannot be changed, deleted, or created except with the approval of the Coordinator of Records Management. In order to make any retention schedule changes, a Retention Schedule Maintenance Form, as found on page 4-4, **[Show Slide 33]** must be submitted to the Coordinator of Records Management. Your department head must sign the Maintenance Form requesting any changes. The Coordinator of Records Management will then consult with the Philip Morris International Legal Department and the Philip Morris Corporate Tax Department, as appropriate, in considering whether to approve the requested modification.

Previously, Cecilia McLaughlin, the Records Analyst for the Company, would review retention schedules with individuals in departments and recommend modifications. Her recommendations would be adopted at the discretion of the department head. This is no longer the case. Any changes to retention schedules must be originated from within the department now. The responsibility for keeping your retention schedule accurate now rests with the departments and with you, the Records Coordinators.

If you or anyone in your department discovers that records in a certain category need to be held for a longer period of time than the retention period on the retention schedule dictates, do not merely hold onto those records. Such a practice would violate the records management program and would look extremely



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bad for you in the event of an audit. Request a change to the retention schedule and wait for approval!

Conversely, if you or anyone in your department discovers that records in a certain category do not need to be held for as long as the retention period on your retention schedule dictates, DO NOT throw those records away before they are scheduled for disposal. Such a practice could result in severe penalties to the Company and to you if for any reason those records were later relevant to litigation and had been discarded before their authorized retention period had expired. Moreover, such a practice specifically violates Company policy and would certainly be picked up in the event of an audit. Request a change to the retention schedule and wait for approval!

I cannot emphasize strongly enough the importance of this procedure. Retention schedules are living documents that can be modified, but it is your responsibility to be sure the retention schedules set realistic retention periods to which everyone in your department will adhere and with which they will be comfortable.

On the Retention Schedule Maintenance Form itself, on page 4-4, let me just make a few comments. First, the form should be sent to the Records Management Department, and not to Phyllis Cowart as she is no longer with the Company. Substitute Cecilia McLaughlin's name there for the time being.

The form is fairly straightforward, but I do want to mention that in the event you are requesting that a new category be added



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to your retention schedule, do NOT suggest a record category code for that new category. Your suggestion will never be taken. The codes will be assigned by the Records Management Department. **[Go to blank slide.]**

Let's move on to a short chapter -- Chapter 5 on the circulation of records. The procedures here are extremely simple. The basic theme is this: If official copies of records are removed from their location, use a check-out system to track these records. It is up to each department to decide upon and implement the check-out system they feel is appropriate.

This procedure is important so that we can rely on the Official File Location column on records retention schedules. If John Doe in Department X needs a copy of the department's budget for 1985, the chances are that Department X has already disposed of all copies of that budget according to its retention schedule. However, the Finance Department will be listed on Department X's records retention schedule as the Official File Location for budget files. If John then calls the appropriate individual or department in Finance, he should be able to get a copy of Department X's budget for 1985 since Finance will undoubtedly keep these official files for a longer period of time than does Department X.

If John cannot locate that budget because someone has removed that file and not checked it out appropriately, then John's confidence in the system disappears and he is tempted to



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hold onto his budgets for longer than his retention schedule dictates.

For inactive records, stored at the Carlstadt records center, specific carton numbers can be requested back from the warehouse and will be available within 24 hours. Please note that when you retrieve a carton from Carlstadt, it will not be accepted back unless the appropriate record category codes appear on the carton and a new Records Log Card is filled out.

On to Chapter 6! **[Show Slide 34]** Records Management will send to Records Coordinators a Notice of Records to be Transferred, as found on page 6-2, when records in a certain category are scheduled for transfer to Carlstadt according to the department's records retention schedule. The notice says basically, "Any records in category X that were created on or before date Y are scheduled to be transferred to storage."

Upon receipt of such a notice, you, the Records Coordinator for your department, must distribute this notice throughout your department so that all records that fall within that category and were created before the indicated date can be transferred. If you choose, you may keep all Inventory Forms for your department so that you can quickly determine who has records in the affected category and where they are located.

Once the notice has been disseminated, it is up to you and the departmental employees to consult the Inventory Forms to locate all affected records and make sure they are promptly transferred. If any relevant records are not transferred, a



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justification must be provided to Records Management for their continued retention in the department.

Please note that you have 10 days after the date the Notice of Records to be Transferred was sent to return the completed notice certifying that all affected records were transferred and providing reasons for the continued retention of any categories of records. If you do not respond within 10 days, Records Management will contact your department head to encourage a response.

Again, please be sure that all record category codes for records located in a carton appear on the Records Log Card for that carton.

Chapter 7 discusses disposal and disposal suspension procedures. Similar to Notices of Records to be Transferred, the Records Management Department will issue Notices of Active Records Disposal and Notices of Inactive Records Disposal when records in certain categories are scheduled for disposal according to the department retention schedule.

**[Show Slide 35]** The Notice of Active Records Disposal applies to records that are on-site and have not been sent to storage. Receipt of such a notice places the burden on you to assure that affected records are properly disposed of. **[Show Slide 36]** The Notice of Inactive Records Disposal alerts you to the imminent disposal of certain records held in the Carlstadt records center.



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Upon receipt of a Disposal Notice, Records Coordinators must ensure that the records scheduled for disposal are reviewed against the current list of records suspended from disposal due to litigation or investigation. If appropriate, the department head will sign the Disposal Notice to authorize disposal and the form is then returned to Records Management. As with Transfer Notices, if certain records are not authorized for disposal, a detailed reason must be provided to Records Management.

If Records Management does not receive a response to a Disposal Notice within 30 days, the departmental Records Coordinator will be called. If no response is received within 10 days thereafter, Records Management will dispose of affected cartons in storage without having received departmental approval.

The disposal suspension procedures are described beginning on page 7-5. Disposal of relevant records must be suspended due to pending or threatened litigation, governmental proceedings or investigations, audits, or other considerations. **[Show Slide 37]** Either the Philip Morris International Legal Department or the Philip Morris Corporate Tax Department will issue a Notice of Disposal Suspension, as seen on page 7-6, advising that certain types of records must not be disposed of. Records Coordinators must communicate such disposal suspensions to everyone in your department to assure that potentially relevant material is not discarded. When the disposal suspension is no longer necessary, a Disposal Suspension Release form will be transmitted to you.



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Appendix B, at tab 10 of your manual, contains the first disposal suspension notice. Those records that are potentially related to smoking and health must be suspended from disposal. The paragraphs that follow there describe what records are contemplated and provide a list of topics that are subject to disposal suspension. I urge you to read this list carefully and emphasize it to every employee in your department and at every training session you hold.

Please note that if there are any records from your department which currently you cannot dispose of because disposal has been suspended due to a tax audit or other reasons, this records management policy does not change that. The disposal suspension continues until you are advised by the Philip Morris International Legal Department or the Corporate Tax Department that the disposal suspension has been released, meaning that those records can then be disposed of.

Finally, Chapter 8 deals with security procedures. All Company records are confidential. Some are more confidential than others, however. It is the responsibility of every employee to protect and secure the Company's assets, including records. Each department is responsible for ensuring that its records are secure.

**[Show Slide 38]** Vital records are those records that are essential to the resumption or continuation of the Company's business in the event of some kind of disaster, such as those records necessary to resume or continue basic business



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operations, recreate the legal or financial status of the Company, or to fulfill obligations to stockholders, employees, and outside business interests. Each department head, in consultation with the departmental Records Coordinator, the Records Management Department, and the Philip Morris International Legal Department, must identify any vital records maintained by their department and assure that such records are sent to the Iron Mountain Security Storage Facility. Cecilia or Bob will be able to help you with the details of these procedures.

**[Slides OFF.] [Lights up.] [Bradley Brooks begins speaking here.]**

That concludes your training session. We hope that this presentation has been helpful and that you come away with a good understanding of your new duties and responsibilities and know how the records management program will function. Please feel free to ask any questions now. After your questions we will distribute the retention schedules, the Sixty Day Implementation Report form, as well as a copy of this presentation. Are there any questions?

**[Break for questions.]**

Now we will hand out the Sixty Day Implementation Report form followed by a copy of this presentation.

**[Break for distribution.]**

We are now going to distribute individual records retention schedules. We will call the name of the department or area of a



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particular department. If the designated Records Coordinator is not here today, please identify yourself by name as we hand you the records retention schedule.



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